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**Office Memorandum** • UNITED STATES GOVERNMENT

TO : Chief, Administrative Staff/OL

DATE: 8 AUG 1955

FROM : Chief, Procurement Division

SUBJECT: Reconsideration of Proposed Request for Increase Ceiling of the Procurement Division

1. In accordance with the request of the Assistant Director of Logistics on Friday, August 5, the following information is submitted in response to the request by the Deputy Director (Support) for reconsideration of a proposal to increase the positions for the Procurement Division.

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2. As background information, this division submitted a staff study to the Chief, Administrative Staff/OL in April, 1955 requesting 24 additional positions. The staff study was forwarded to the Management Staff, DDS and that staff has recommended an increase of a total of 26 positions. In considering the budget estimates for the Fiscal Year 1956, [REDACTED] suggested requesting funds for 20 additional positions out of the 24 requested. In the budget estimates for 1957, provision was made for the 24 additional positions which we recommended which did not include the 2 additional positions which the Management Staff recommended.

3. Appendix A indicates the exact title and placement of the 26 positions which have been recommended by the Management Staff. In a separate column, we have indicated the number of personnel in each of these branches at the present time. The additional personnel requested for each of the organizational components of this division will be discussed in the following paragraphs.

A. Office of the Chief.

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Up to the present time we have little or no information about what is being done in the field with respect to procurement. The Inspector General recommended a periodic review of procurement activities in the continental U. S. and overseas by a representative of this division. In addition, a proposed re-issuance of [REDACTED] has been submitted by which field activities would be required to submit monthly reports of procurement activity. These reports must be reviewed and analyzed for appropriate action. In view of the worldwide responsibility of this division for procurement activity and since only two positions are provided for this purpose, it is doubted that it would be wise to eliminate these proposed positions.

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B. Contract Branch.

1. Negotiation Section

An Electronics Engineer was requested because of the total lack of technical personnel in this section and the need for an engineer to negotiate contracts for electronics equipment. Although this position could be eliminated, it is considered unwise to do so since there is no one in the entire Procurement Division who has an electronics background.

2. Administration Section

The executive type personnel requested for this section is for contract administration and property administration. Up to the present time this division does not possess any full-time Contract or Property Administrators. Problems which arise during the period of the life of a contract are more numerous and more diversified than are the problems which arise at the time of negotiation. The lack of such administrators in the past has been a serious weakness in the internal operation of this division. The Contract Administrators are very important in carrying on satisfactory relationships with contractors and with the technical activities of the Agency in keeping contracts free from difficulty and taking prompt contract actions as required. A number of contractors have on frequent occasions requested the termination of their contracts because of an unsatisfactory relationship with the Agency. The principal reason for this has been the almost total lack of Contract Administrators. With respect to the Property Administrators requested, it is estimated that the Agency has now furnished to its contractors between two and three million dollars worth of Government owned equipment. Frankly there is no complete record of this equipment and contractors have not been called upon to account for its location, its use nor its need. Property Administrators alone can fill this requirement and the responsibility should not be ignored. The Clerk Stenographers required for this section are of course normal to the amount of work which will be produced by the administrators.

3. Inspection Section

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At the present time we have the responsibility in connection with the inspection of contracts totaling approximately [REDACTED]. It is quite obvious that three Inspectors cannot perform this responsibility. At the present time there are approximately [REDACTED] Agency contracts where the Materiel Inspectors of the Department of Defense are being utilized. A recent survey of the inspection ability of technical activities, ie., Communications and TSS have indicated their inadequacy in the performance of the inspection functions. The inspection function includes developing new sources, monitoring all Agency contracts, trouble shooting on individual contracts where difficulties are involved and material inspections over all the United States. Considering the present personnel and the increase requested, we should have a total of ten Engineers to perform the inspection responsibilities. I believe that this is a minimum number for [REDACTED] worth of contracts needed to protect the Agencies investment. If the inspection capacity is to

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be reduced, then the Agency expenditures in contract procurement should be reduced proportionately as the Agency would be unable to defend such action. Also included in the inspection function is the review of Bills of Materials which contractors have claimed they have used in production; the inspection and disposal of residual inventory; and the repossession of jigs, tools, and dies, upon completion of Agency contracts. I believe it is apparent that three Engineers could perform only a very small part of this total responsibility.

4. Termination and Settlement Section

It is proposed to increase the Termination and Settlement Section by an additional four persons for contract negotiation and two Clerk Stenographers. Some time ago a study was made of the backlog and future workload of this section. At that time it was estimated that considering the capacity of the Industrial Contract Audit Branch, Office of the Comptroller and the capacity of the Termination and Settlement Section that it would take approximately  $3\frac{1}{2}$  years to settle existing contracts, not considering new contracts which will be made during that period. Again it can be unequivocally stated that this condition should not be allowed to continue as many of our nationally known contractors whose services are difficult to obtain would refuse to do business with the Agency. In addition, the recent arrangements which have been made for the utilization of Department of Defense resident auditors which will permit a timely audit of Agency contracts will result in such a heavy workload in this section that the present personnel would be incapable of handling the amount of work produced under this arrangement. We must be realistic about this problem and we should not make contracts for which we lack the capacity to settle on a timely basis. It would be foolhardy to consider that a reduction in the proposed increase for this section should be made.

C. Administration and Control Staff

The Administrative Assistant requested for this staff was intended primarily to improve the follow-up of deliveries and also follow-up of internal procurement action by this division. Internal and external follow-up action is the very life of a procurement activity. The mere placement of an order or contract does not guarantee delivery. The increase in special projects has caused the need for close follow-up action. In addition a variety of clerical responsibilities have been transferred from the Procurement Branches into this staff. This has been done and has resulted in an unusual amount of overtime for present employees. An additional file clerk has been requested which would increase the total number to two file clerks. This division has in active status between 5,000 and 7,000 procurement orders and contracts which are continually being referred to and require a great deal of servicing due to the amount of correspondence and other factors connected with procurement actions. The existing single file clerk has been required to put in an unreasonable amount of overtime in order to maintain the files on a reasonably current basis. This condition should not be allowed to continue and an additional file clerk is therefore very necessary.

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4. It is impossible for any of the above work to be done by contracting it to private organizations. All of the responsibilities and functions must be performed within the division itself.

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5. All of the functions and responsibilities described in the paragraphs above are normal to a procurement activity and none of them represent luxuries or non-essential services. The Procurement Division in Fiscal Year 1955 obligated a total of approximately [REDACTED]. It is normal practice in both Government and private industry to take such action as is necessary to protect an investment and to guarantee delivery of acceptable product. It is also normal to provide reasonably prompt service in effecting payments and in performing other normal administrative procurement functions. By these requests for additional personnel this division is attempting to bring the level of performance up to a minimum acceptable standard. Of course any type of compromise can be effected but such a compromise would be unwise and is not recommended.

6. It is obvious on the other hand that this division will have difficulty in recruiting and entering on duty within the Fiscal Year 1956 a total of 26 additional individuals requested. Therefore, if a temporary adjustment must be made, it is recommended that the proposed increase be reduced to a total of 22 and permit the Procurement Division to determine according to the success of its recruiting efforts where the adjustment can be made.

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